Investment Idea / IPO Note

OGX Group Berhad

Riding The Tailwind of Digital Era

By Crystal Chin

BUY

IPO Price: RM0.35
Fair Value: RM0.48

OGX Group Berhad (OGX: 0395), provides end-to-end IT infrastructure solutions, encompassing design and implementation of network solutions, cybersecurity solutions and enterprise data centre solutions. We project OGX to register core net earnings of RM20.9m and RM27.6m for FY26F and FY27F. BUY with a fair value of RM0.48 based on 13x PER (discount to industry peers due to its smaller market cap) over FY27F EPS.

OGX's near-term earnings visibility is supported by a solid revenue pipeline. As at FYE10/26, the Group recorded revenue of RM105.8m alongside an outstanding orderbook of RM72.3m, which is expected to be fully recognised within FY26. This brings the total revenue visibility to a level that already exceeds FY25's full-year revenue, providing a strong earnings base for the year ahead. As such, we project earnings to grow by 40% in FY26, supported by increasing enterprise demand for network infrastructure, cybersecurity and data centre solutions.

Currently, OGX holds authorised distributorships for 18 IT infrastructure brands including HPE, SANGFOR, VERTIV, tenable and Forcepoint. These partnerships allow the Group to supply enterprise hardware, cybersecurity and data centre infrastructure solutions through its B2B model, primarily serving system integrators ("SI"), underpinned by solid relationships with major SI customers and brand principals spanning between 16 to 18 years.

OGX plans to secure at least two additional authorised distributorships from established brand principals. This would enable the Group to offer a more comprehensive suite of IT infrastructure solutions. A wider brand ecosystem enhances customer stickiness as SI increasingly rely on OGX as a one-stop sourcing platform for enterprise IT components without managing multiple vendor relationships.

Malaysia's digital transformation agenda continues to gain momentum, supported by national initiatives such as MyDIGITAL, alongside state-level strategies including the Sarawak Digital Economy Blueprint 2030 and Sarawak Linking Urban, Rural and Nation (SALURAN) programmes. In line with this, OGX intends to expand its geographical footprint into East Malaysia by establishing sales offices in Kota Kinabalu and Kuching, allowing the Group to capture rising demand from government agencies and enterprises within the region.

We expect OGX's net gearing of 0.23x to turn net cash position post-listing. This projects healthy financial position with the IPO proceeds. The group currently does not have a formal dividend policy but has historically a dividend yield of between 1.8%/3.4% for FY24/FY25.

KLCI	1,708.78
YTD FBM KLCI change	+1.71%
YTD FBM SC Index change	-3.02%

Stock Information

Market Cap Upon Listing (RM'm)	262.50
Enlarged Share Capital (m)	750.00
Shariah Compliant	Yes

IPO Proceeds (RM'm)

Acquisition and renovation of new facility	30.00
Expansion of portfolio of IT infrastructure brands	2.50
Geographical business expansion	2.00
Repayment of bank borrowings	4.50
Working capital	8.50
Estimated listing expenses	5.00
Total	**52.50**

Major Shareholders

Tan Ting Fong	35.70%
Tan Suan Loong	34.30%

Summary Earnings Table

FY May (RM'm)	2024A	2025A	2026F	2027F
Revenue	172.5	176.3	247.1	324.7
EBIT	13.2	23.9	32.3	42.7
Pretax profit	11.4	22.0	29.8	39.3
PATAMI	**8.1**	**15.5**	**20.9**	**27.6**
Core PATAMI	**8.2**	**15.5**	**20.9**	**27.6**
Consensus	-	-	-	-
Core EPS (sen)	1.1	2.1	2.8	3.7
EPS growth (%)	114%	89%	35%	32%
DPS (sen)	0.6	1.2	0.0	0.0
PER (x)	32.1	17.0	12.6	9.5
BV/Share (RM)	0.05	0.20	0.23	0.28
ROE (%)	12.3%	21.9%	16.7%	12.9%
Div. Yield (%)	1.8%	3.4%	0.0%	0.0%

Sources: Prospectus, Rakuten Trade Research

COMMPANY	Definition
Buy	The stock return is expected to exceed the KLCI benchmark by more than 10% over the next 6-12 months.
Trading Buy	Short-term positive development on the stock that could lead to a re-rating in the share price and translate into an absolute return of 10% over the next 3-6 months. Trading Buy is generally for investors who are willing to take on higher risks.
Take profit	The stock return previously recommended has gained by >10%
Hold	The stock return is expected to be in line with the KLCI benchmark (+/- 5%) over the next 6-12 months.
Sell	The stock return is expected to underperform the KLCI benchmark by more than 10% over the next 6-12 months.
SECTOR	
Overweight	Industry expected to outperform the KLCI benchmark, weighted by market capitalization, over the next 6-12 months.
Neutral	Industry expected to perform in-line with the KLCI benchmark, weighted by market capitalization, over the next 6-12 months.
Underweight	Industry expected to underperform the KLCI benchmark, weighted by market capitalization, over the next 6-12 months.

Scoring model:

The in-house scoring model is derived from Rakuten Trade Research valuation matrix based on earnings growth, earnings visibility, business model, valuation, balance sheet, technical analysis, and shareholder value creation. Each parameter is given a specific weighting.

All buy calls are based on the research team's judgement. Investing is risky and trading is at your own risk. We advise investors to:

- read and understand the contents of the disclosure document or any relevant agreement or contract before investing;
- understand the risks involved in relation to the product or service;
- compare and consider the fees, charges and costs involved; and
- make your own risk assessment and seek professional advice, where necessary.

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Published:

Kenny Yee Shen Pin
Head of Research